
QUARTERLY NEWSLETTER



Founder & CEO Update

In August we reached a huge milestone in the history of our firm as we successfully exited our first platform investment, Material Handling Holdings (MHH), after a five-year hold period. While we achieved fantastic results, it was bittersweet to see the business go to a new owner and made us appreciate the emotional process owners go through when they sell their business to us. Overall, MHH is a textbook example of the benefits of a well-executed leveraged buy-out. The company had hit its stride and was firing on all cylinders, with a great management team in place. Additionally, MHH had paid off all acquisition debt – a luxury in the current economic environment. Much of the value that was created for our investors was due to the growth in cash flow and the ability to deleverage the business over the hold period. We look forward to seeing the rest of the portfolio and future acquisitions follow in MHH's footsteps.

That said, the current portfolio is not without its challenges. The businesses with customers that are seeing doubling or tripling in their cost of capital due to the dramatic increase in interest rates are certainly feeling the pain -- forcing management teams to make tough decisions to weather the storm. Fortunately, our portfolio is diverse and we see companies are thriving in this economy as well. Consumer demand remains high and pricing power is still in the hands of those who can fulfill that demand.

From a deal flow standpoint, we continue to see a steady flow of opportunities and signed one Letter of Intent during the third quarter. The challenge, of course, is the debt market as many lenders are sitting on the sideline or significantly tightening terms and covenants. This has a direct impact on the returns under a leveraged buy-out scenario unless sellers are willing to reduce their expectations or provide earn-out or seller financing. These types of creative structures are certainly back in vogue.

Lastly, we continue to invest in our firm and resources. Adam Kuborn joined the team as an analyst, and Addy Francois as our fall intern, to complement the current team and allow us to do more deals and close larger transactions. We also upgraded our back-office investor platform to Asset Class to improve our investor experience.

Through the highs and lows that come with the territory, we remain resilient and grateful to be in the business of growing lower middle market businesses.

Sequoya Borgman
Founder & CEO

FIRM NEWS

Borgman Capital Exits Portfolio Company Material Handling Holdings

Borgman Capital recently announced the sale of Material Handling Holdings, LLC (“MHH”) to Ballymore Company, Inc. a portfolio company of Graycliff Partners LP.

With multiple locations in Wisconsin, MHH is a leading supplier of custom, highly engineered lifting and positioning equipment including lift tables, tilt tables, upenders and electric carts. Borgman Capital acquired the subsidiaries of MHH in 2018 as its first platform investment.

During the five-year investment period, Borgman Capital worked with MHH management to establish a leading position as manufacturer and distributor of material handling equipment through online sales efforts and capturing a diverse customer base. Additionally, the company is now a vertically-integrated operation and performs manufacturing, assembly and customization in-house. Today, MHH provides a broad product offering with a variety of custom, manufactured, branded and distributed offerings.

“I am extremely proud of what we achieved with MHH leadership to combine three founder-owned businesses, build a streamlined platform and grow the top and bottom lines,” said Sequoya Borgman, founder and CEO of Borgman Capital. “There are numerous growth opportunities on the horizon for MHH with Ballymore. MHH will be a strong addition to Ballymore’s offerings and Ballymore has the expertise and infrastructure in place to lead MHH through its next chapter.”

Based in Coatesville, Pennsylvania, Ballymore is a designer and manufacturer of safety-centric equipment for use by retailers, OEMs, and distribution customers. Since its founding in 1945, Ballymore has grown from its origins as the first ever manufacturer of rolling ladders to a provider of a variety of safety-focused electric lifts, ladders, work platforms, portable loading docks, and other related material handling equipment.

Taureau Group served as financial advisor and Reinhart Boerner van Deuren served as legal counsel on the transaction.

Investment Date:

June 2018

Exit Date:

August 2023

Locations:Waukesha and Waupun,
Wisconsin**Transaction Outcome:**

Borgman Capital integrated three founder-owned businesses and worked with management to establish a leading position in a defined niche for custom, highly engineered lifting and positioning solutions. MHH is now a turnkey, vertically-integrated platform with a differentiated operating model and strategy.



Borgman Capital Welcomes Two New Team Members in Milwaukee



Adam Kuborn
Analyst

Adam Kuborn has joined the firm as an analyst. Adam previously worked at Western Union for two years as a Risk Manager in Denver, overseeing the credit risk program and holding credit approval authority for North American clients. Prior to Western Union, he spent four years within commercial banking, underwriting new debt facilities and monitoring an existing lending portfolio based in Boulder, Colorado.

Adam is a graduate of the University of Wisconsin-Madison, and double majored in finance and real estate. He is a native of Cedarburg, Wisconsin. Outside of work, he enjoys skiing, chess, and playing piano.



Addy Francois
Fall Analyst Intern

Addy Francois is Borgman Capital's fall analyst intern. She is currently pursuing a Master of Science in Finance Analysis at the University of Wisconsin-Milwaukee. Addy also received her undergraduate degree in finance from UWM, along with a certificate in investment management.

Most recently, Addy interned at Northwestern Mutual in investment operations and equity research for its wealth management company. Originally from Green Bay, Addy is an avid Packers fan and loves anything related to Wisconsin sports and the outdoors.

Twin Cities Launch Party

After announcing the launch of Borgman Capital's Twin Cities office in May, the official launch party was held in July in Minneapolis. We look forward to continued conversations and relationship-building with the lower middle market business community in Minnesota, the Dakotas and Iowa. Reach out to Borgman Capital's Twin Cities office leader [Ben Axelrod](#) to get connected.



PORTFOLIO COMPANY UPDATES

Investment Criteria

Our investment approach is relationship-focused. We do this by being honest, straightforward and always professional. Because lower middle market businesses are our focus, there is no one who will take better care of you and your organization. Here's what we look for in a platform company investment:

- **Revenue of \$10 to \$100 million**
- **Track record of profitability**
- **EBITDA between \$2 and \$15 million**
- **Growth-oriented leadership and sound operational management**
- **Midwest focus; open to opportunities across the U.S.**
- **Industry agnostic with proven expertise in food products, infrastructure services and products, and traditional manufacturing**
- **Strong competitive position in growing market/industry**

Current Investments



In addition to new platforms, Borgman Capital is actively seeking add-on acquisitions (EBITDA less than \$2 million) for each of its portfolio companies.

Gilman Cheese Corporation

DAVID DELGADO PRESIDENT



Now 17 months after the add-on acquisition of Dairyfood USA, it is rewarding to see the smooth integration of the new location into Gilman Cheese Corporation's culture. The collaboration between our Blue Mounds and Gilman locations has allowed us to tap into the expertise and knowledge of each team member, resulting in an optimized operation. While our performance shows that we are making good progress, we know that there is more we can do to find synergies. We will continue to identify new ways to improve Gilman Cheese Corporation.

This year has undoubtedly been challenging, particularly for the consumer goods sector, and specifically the food industry. However, we are thrilled to have acquired new customers during the third quarter, including some of the world's top dairy companies.

Due to the influx of new customers and increased sales from our top 10 accounts in the third quarter, our facilities have seen a significant rise in volume and have remained consistently busy. As a result, our financial performance in Q3 has been successful, showing a 15% increase from the same period last year and indicating continued success.

We are optimistic about our current pipeline moving forward in 2024 and are continuing to spend time with existing and new customers to find incremental growth opportunities in the new year.

AscendTek

SOLOMON HU PRESIDENT



During Q3, telecommunications industry veteran Solomon Hu joined AscendTek as President. An electrical engineer by education, Solomon's career has spanned the vast landscape of the carrier side of the business. His journey through the telecom world has been a multifaceted one, with his experiences as a project engineer building cell sites, network planner, switch engineering, and network evolution shaping his expertise.

Beyond his telecom career, Solomon has made significant contributions to the infrastructure landscape, having worked for companies including Uniti Towers and Harmoni Towers. These experiences have enriched his knowledge of the industry from a broader perspective, making him a well-rounded professional with a deep understanding of both the carrier and infrastructure facets.

Furthermore, we are thrilled to announce that Chuck Woods, a seasoned leader within the company, is now at the helm of AscendTek's Pacific Northwest (PNW) operations team. Chuck's wealth of experience and dedication to excellence make him the perfect fit for this role, and we have full confidence that under his leadership, the PNW team will deliver exceptional results.

AscendTek diversified its portfolio in Q3 by entering the rapidly expanding electric vehicle (EV) charging market. This strategic move not only demonstrates the company's commitment to staying ahead of industry trends but also positions AscendTek as a key player in the green energy sector. With the global shift towards sustainable transportation, AscendTek's foray into EV charging aligns with the growing demand for clean energy solutions.

In addition to the developments in EV charging, we have substantial work with Dish slated for the fourth quarter and into 2024. This opportunity underscores AscendTek's reputation as a trusted partner in the industry and speaks volumes about the company's ability to secure and execute high-profile projects.

Aerial Work Platforms, Inc.

ROBERT RIVERA PRESIDENT



Q3 concluded with AWP seeing strong utilization of 80 percent and climbing as we see a large increase in demand for rental equipment across several markets. I am also excited to report that equipment suppliers are showing signs of normal fleet productions back in place and lead times have returned to pre-pandemic ranges.

Additionally, we are very proud to have been involved for the second year in a row as a Partner Sponsor of Country in the Burg festival in Cedarburg, Wisconsin on August 25 and 26. Country in the Burg has a mission to support local charities, our military and children's hospitals and has raised more than \$240,000 since its founding in 2021. AWP's Wacker light towers illuminated the park and Skyjack Rough Terrain Scissors rose above the crowd to capture each of the special musical acts during the weekend.

I am so grateful to the entire AWP team and our customers who choose to partner with us when they have so many choices.



Southeastern Meats

JAMIE ARDREY PRESIDENT



In Q3, we introduced the “new” Southeastern Meats Pick 5! What’s new? We improved the quality of many of our products – they taste as good or better than most national brands. We launched new, premium items like French Toast Sticks and brought back old favorites like Mini Corndogs. We introduced new, improved packaging to catch the consumers’ eye – the bags feature our iconic red, white and blue banner, have a large window to highlight our quality and are resealable. Check out our new look in the freezer case (pictured right).

What’s our strategy here? We’re inviting a wider range of consumers to try Pick 5. We used to be a “lower shelf” brand that competed primarily with store brands and private label. Now we’re great food and a great value for everyone. We’re still priced below the national brands when you buy individual items, and you SAVE BIG when you buy 5 – Everyone Loves a Deal!

While its still early, the initial results of our revitalization are promising. We’ve seen volume lifts on items featuring our new packaging and demand for the new items is good. We’ve also had a couple of new customer wins. We’ll keep you updated on our progress.



Durex Products, Inc.

BILL FEIERABEND PRESIDENT



“Coming together is a beginning. Keeping together is progress. Working together is success.”

-Henry Ford

It’s been eight months since we kicked off our operational excellence plan here at Durex, and I couldn’t be prouder of our team and what we have accomplished during this time. There certainly have been highs and lows along our journey, but we have remained focused and are committed to succeeding.

I am most impressed with how our talented individuals have come together to collaborate and solve problems as one unified team. Best of all, employees are now empowered to make smart business decisions that translate to positive impacts on our business. Of note, we have maintained adjusted EBITDA throughout the year, and on-time delivery has remained consistent at 98 percent month over month.

As we enter Q4 we are committed to finishing out the year strong as a team, with our sights already set on a prosperous 2024.



K.G. Stevens

JASON GAARE PRESIDENT



On October 4th, we celebrated the one-year anniversary of becoming a Borgman Capital portfolio company. As with any acquisition, we have experienced changes and challenges that have kept us on our toes. Our ability to adapt and maintain flexibility is key to our future success as we look to grow and expand. We have continued to face challenges within the channels we serve and are focused on grabbing market share in a softened market. We continue to work each day to position our business to be the industry leader in customer satisfaction and operational excellence.

As part of our focus to expand our market share, we have launched several new initiatives aimed at increasing our brand awareness, specifically in the consumer segment. Please check out our new website designed to educate potential customers and better highlight the markets we serve (www.kgstevens.com). We have launched a radio advertising campaign to reach our retail customers looking to refresh their homes before the holiday season. We have updated our referral program to better capitalize on happy customers who have put us within reach of 1,000 5-star reviews, far more than any competitor in our market.

We are always looking to stay at the forefront of changing consumer preferences and trends. With growing demand in the market, a current focus for the K.G. team is large format porcelain. We are working on educating our customers on these new materials that can be used in many different areas of a home or commercial building. Below highlights just a few of the unique applications of these new materials and the incredible craftsmanship the team at K.G. displays every day.



REAL ESTATE PRACTICE UPDATES

Borgman Capital Leading Expansion of MGS Manufacturing Group Headquarters

After acquiring the portfolio of industrial buildings leased to MGS Manufacturing Group in May 2023, Borgman Capital has invested in and is facilitating the expansion of the company's headquarters in Germantown, Wisconsin with the addition of a state-of-the-art innovation center. This advanced manufacturing facility will bring its design, tooling, automation, molding sampling, and production development capabilities together in one location. The new facility will connect its existing local facilities into one continuous campus, enabling an exceptional customer experience and collaboration across all functional areas of the company.

MGS recently held a groundbreaking ceremony (pictured below) for the innovation center south of its headquarters offices. Occupancy in the innovation center is scheduled for September 2024. Read more in the [Milwaukee Business Journal](#).



Real Estate Investment Criteria

- **Typical deal size between \$5 and \$60 million**
- **Industrial, Office, Multi-Family and Mixed-Use property types**
- **Stabilized core-plus investments and sale leasebacks**
- **Value-add and opportunistic investments located in strong markets**
- **Joint ventures with developers and owner-users**
- **Location agnostic**

INVESTORS

If you are an accredited investor who would appreciate access to quality private equity investments, contact us to learn about current opportunities and/or be notified of future offerings: investorrelations@borgmancapital.com



"THE INVESTOR COMMUNICATION IS OUTSTANDING - STRAIGHT FORWARD, EASY TO FOLLOW, AND RESULTS ORIENTED - THE BEST I'VE SEEN BY A PRIVATE EQUITY FIRM."

-Mike M.

"THE TEAM EXERCISES TREMENDOUS CARE AND DILIGENCE IN CHOOSING QUALITY COMPANIES, AND PROVIDES THE GUIDANCE AND DISCIPLINE REQUIRED TO GROW A COMPANY."

-Ann H.



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CAPITAL

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